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Canada:

Business opportunities in the digital media sector

Canada is wereldwijd de grootste ontvanger van directe buitenlandse investeringen in de digitale media sector

Meer dan 100 buitenlandse digitale media bedrijven hebben zich op basis van 'greenfield' projecten in Canada gevestigd in 2012.

Canada 3.0 conferentie in Toronto 14-15 mei 2013

Canada, Digital Media Sector, business opportunities

The Canadian interactive media sector includes over 3,000 companies, collectively employing more than 52,000 people. The estimated revenue from interactive digital media in Canada is \$3.8 billion. The main two market segments of the Canadian digital media sector are discussed individually below.

Digital games: In 2012, revenue of the global video game market was US\$65 billion, up 4% over 2011, and the industry is forecast to grow to US\$86.8 billion by 2014. Canada is a major player in this global industry, both in terms of size and the quality of talent and resources. Canada's video gaming industry has grown by 11% annually over the past two years, to \$1.9 billion in 2012. The industry is expected to grow by 17% per annum over the next two years. Top-selling global game franchises that have been developed by Canadian studios include EA/BioWare's Mass Effect, EA Sports' FIFA Soccer, and Ubisoft's Assassin's Creed. Popular mobile/social games that have been developed in Canada include FishWorld (Big Viking Games), About a Blob (DrinkBox Games) and Margaritaville Online (THQ).

Animation and digital effects: are driving the growth of the film industry. The top 20 grossing films of all time and the top 10 grossing films of 2011 were driven by high-end visual effects or computer-generated animation. Today, visual effects represent as much as 40% of a production budget, which can be more than US\$50 million for major studio films. The animation and digital effects industry in Canada is an important part of the digital economy, and is world-renowned for its innovation and creativity. Canadian-based companies have created animation and effects for films such as The Hunger Games (Ubisoft), The Girl with the Dragon Tattoo (Digital Domain), Small Fry (Pixar Canada) and Gnomeo & Juliet (Arc Productions), as well as television series such as Babar (Nelvana) and advertising campaigns for M&Ms (Topix) and General Motors (Crush) among others.

Canada 's key strengths in digital media

Breadth and depth of the digital media industry: Vibrant clusters, both large and small, of video game developers and animation and digital effects companies have developed across Canada, providing publishers the ability to build and test all components of new products locally.

World-leading R & D: The five films nominated for a special effects Academy Award in 2012 all used Autodesk software, developed in Canada. In 2012, Side Effects Software, the Toronto-based creator of Houdini 3D animation tools, won the Academy Award for Scientific and Technical Achievement.

Attractive incentives: Federal and provincial governments in Canada provide generous incentives for digital media companies, including tax credits applied to labour costs of computer animated or digital special effects productions, along with tax credits for eligible expenditures on digital media products which can include regional bonuses.

Skills and research

Canada employs 544,900 people in the ICT sector, and over 52,000 are employed in interactive media. There were approximately 16,000 people working in the Canadian video games industry in 2011, with an estimated 11,000 more in auxiliary activities, making Canada the third largest video games industry worldwide after the U.S. and Japan. Canada has a world-class higher education system with 22 universities appearing in the top 500 universities of the world. Canadian universities offer programs in computer science and software engineering at undergraduate, graduate and PhD levels, and six Canadian universities appear in the top 100 universities for Computer Science. There are a number of specialized digital media institutes, programs and research groups in Canada including:

- Digital Media Zone at Ryerson University, Toronto
- National Animation and Design Centre (Centre NAD), Montréal
- Centre for Digital Research & Development (CDRIN), Cégep de Matane
- Graduate Program in Digital Futures, OCAD University, Toronto
- Master of Digital Experience Innovation (MDEI) University of Waterloo
- Master of Digital Media (MDM) offered at the University of British Columbia
- Professional Diploma in Animation for Game, Visual & Special Effects, Centre for Arts & Technology, campuses at Kelowna, Fredericton and Halifax

Main digital media clusters around Canada

British Columbia

Key strengths: British Columbia is home to the highest number of interactive game companies in Canada and the third largest film and television industry in North America. There are over 1,000 companies in British Columbia's digital media industry, and Vancouver is a hub of cutting-edge videogame developers and digital effects companies.

Leading companies: Activision Blizzard, Capcom, Digital Alchemy Entertainment, Digital Domain, Electronic Arts, GameHouse (RealNetworks), Klei Entertainment, Koolhaus Games, Leviathan Studios, Microsoft Game Studios,

Incentives: British Columbia offers an Interactive Digital Media Tax Credit, and a Digital Animation or Visual Effects Tax Credit, both worth 17.5% of eligible labour costs.

Ontario

Key strengths: Ontario has a large interactive digital media industry, with over 1,000 companies. The province is recognized worldwide for its high-quality artists, designers, animators and programmers. Ontario is host to important industry events including the Toronto International Film Festival, which is recognized as the most important film festival after Cannes. Ottawa is host to the Ottawa International Animation Festival and International Game Festival which profiles Canadian talent in the sector.

Leading companies: Arc Productions, Big Viking, Breakthrough Entertainment, Capybara, Crush, Digital Extremes, Gameloft, Nelvana, Red Urban, Rockstar Games, Side Effects Software, Tecmo-Koei, Ubisoft, XMG Studio, Zynga.

Incentives: Ontario offers an Interactive Digital Media Tax Credit, worth 40% of eligible labour costs and a maximum of \$100,000 in marketing and distribution expenditures, as well as a Computer Animation and Special Effects Tax Credit, worth 20% of total labour costs.

Quebec

Key strengths: Over 500 companies are active in the interactive digital media industry in Quebec, employing more than 12,000 people. Quebec is becoming one of the most attractive places in the world for interactive digital media companies. Montréal is first worldwide in terms of jobs created from FDI in the video games and digital content sector, and investors include several large international gaming companies.

Leading companies: Autodesk, Babel Media, Beenox (Activision), Behaviour Interactive, Bioware (EA), CinéGroupe, Cyanide Studios, Eidos (Square Enix), Electronic Arts, Eyetronics, Frima, Gameloft, THQ, Toonboom, Ubisoft, Warner Bros Interactive Entertainment.

Incentives: Quebec offers a Production of Multimedia Tax Credit, worth up to 30%* of qualifying labour costs for commercial titles, and a bonus for French titles. The province also offers a Computer Animation and Digital Special Effects Tax Credit, worth 10% of qualifying labour costs for film and television production and 20% of qualifying labour costs for production services.

Why Canada offers good possibilities for Dutch companies

- Highest penetration of video games: Total Canadian imports of video games amounted to US\$1.1 trillion in 2010. Canada has a higher per capita spending on imports of video games than the U.S. With the highest market penetration of competing locations, Canada is an attractive test base for new video games.
- Soft landing program for foreign companies
- Network readiness: Canada is well positioned to exploit the opportunities offered in ICT, ranking ninth globally.
- Labour cost savings: For a typical video game design centre, companies can make labour cost savings of over \$2 million per annum by investing in Canadian cities compared to Japanese and U.S. locations.
- Favorable corporate income tax: Canada offers among the most attractive corporate income tax levels of any comparable country. Companies locating in Canadian cities can expect to pay lower corporate income taxes than in the U.S.
- Competitive office costs: Canada is a very cost-competitive location in terms of office rent. Office costs are half the cost of comparable cities in the U.S.

Facts and figures about the country

Canada is a wealthy nation, with a similar GDP per capita as the Netherlands. The country is large: it takes about 7-8 hours to fly across the country in a jet plane. Although it is a young country, it has regional differences. Some parts have a booming economy, others grow modest or not at all.

Canada borders on three oceans: the Pacific Ocean (British Columbia), the Atlantic Ocean (the Maritimes) and the Arctic Sea. There are five large lakes on the southern border, which Canada shares with the USA. The population is spread out, with concentrations around five large urban centres: Vancouver, Central Alberta, Toronto, Ottawa-Gatineau and Montreal. The Maritimes (Newfoundland, Nova Scotia, Prince Edward Country and New Brunswick) are economically behind.

Events

The annual Canada 3.0 (<http://canada30.ca/>) has been held once a year in or around Toronto. This is the place where decision makers, programmers, developers, publishers, consultants and a variety of companies meet. In 2012, the conference was held in Waterloo and was much higher attended than previously expected. For 2013, the conference is planned in Toronto, on May 14 to May 15, 2013.

Other interesting events are the Ottawa international game conference from May 29 till May 31 (<http://ogc2013.com/>) and the Ottawa international animation festival from September 18 till September 22 (<http://www.animationfestival.ca/>).

Useful websites

Canadian digital media network (branch organization)

<http://www.cdmn.ca/>

Government of Canada investment guide digital media:

<http://investincanada.gc.ca/eng/publications/multimedia-canada.aspx>

Entertainment software association of Canada

<http://www.theesa.ca/>

More information?

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Any company interested in being informed about new developments in the digital media sector in Canada, please let us know through Ott-EA@minbuza.nl We will be happy to keep you involved.

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